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## The role of servitization for small firms: drivers versus barriers

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**Abstract:** The purpose of this study was to explore the servitization approach in order to understand the development of this trend among small Italian companies. In doing so, this study adopted a qualitative method and data were collected via in-depth interviews with managers of firms belonging to the footwear industry – an important sector for the Italian economy. Data analysis was realised through NVivo software, thereby providing a first understanding of the drivers that lead these companies to become 'servitized', as well as the main obstacles they face when considering providing services beyond their core offering. This study suggests important implications both for managers and marketing scholars. For academics, it extends the existing knowledge of the factors that influence this organisational and managerial change, and enriches the body of knowledge of the main drivers of and barriers to servitization. For practitioners, it helps in the understanding of the main advantages and potential obstacles to developing a servitization process.

**Keywords:** servitization; drivers; barriers; small and medium enterprises; SMEs; small firms; value creation; entrepreneurship; footwear industry; business to business; Italy.

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## 1 Introduction

Services are increasingly important for economic development in many countries, and have delivered significant contributions to economic growth and employment (Johannessen and Olsen, 2010). As a result, studies on service management have also grown during the past two decades, with one of the primary focuses being identifying sources of competitive advantage in service firms. Manufacturing firms are increasingly moving away from generating pure physical products to offering service provision for several reasons – from finding a new competitive source or avoiding price competition, to adding value to their traditional manufactures and competing in an increasingly globalised market. In addition, they seek to innovate and create products and services that meet customers’ needs more comprehensively in order to avoid competing solely on a cost basis (Turunen and Finne, 2014; Urban and Zucchella, 2011).

This phenomenon is well known, with the concept of servitization defined as “the process of creating value by adding services to products” [Vandermerwe and Rada, (1988), p.315]. Several articles have adopted an organisational approach to study this issue, and less attention has been addressed to a marketing perspective (Martinez et al., 2010; Turunen and Toivonen, 2011; Turunen and Finne, 2014), considering not only the drivers that have led companies to adopt this approach, but also the main barriers firms must overcome. The aim of this research is to explore this phenomenon in order to understand the development of this approach in the specific business context of small Italian companies – particularly in the Business to Business (B2B) footwear supply chain.

During the last two decades, the international footwear industry has experienced substantial changes in demand, supply, distribution and consumer behaviour (Buxey, 2005; Cesário and de Noronha Vaz, 2014; Gregori et al., 2013; Hsu and Chang, 2008). Much of the footwear sold in global markets is sourced from manufacturers in low-cost production areas – most notably South-East Asia. Thus, many domestic manufacturers in Western countries are unable to compete effectively in the mainstream footwear market. As a result, many Western suppliers have turned to offering highly differentiated products – usually either specialist footwear for specific applications or high-end designer products, as in Italy (Marketline, 2014).

Moreover, in the footwear industry, there is a vast array of products and increasingly frequent outsourcing of production activities by many firms in order to achieve supply chain competitive efficiency. However, this generates challenges related to the quality of products and level of service. It should also be noted that the intangible components of the products – such as the image, design and post-sale service – become competitive elements among different firms (Russo and Cardinali, 2012). Interest in this sector and this phenomenon stems from observations of a few current trends – that fixed costs for operations are relatively low; thus, new entrants are relatively common and the competition can be aggressive based on price.

Italian footwear commands the highest average export price in the world, with an average pair of Italian leather shoes selling for more than 10 times that of their Chinese counterpart (Marketline, 2014). This emphasis on high-end footwear allows Italy to compete in the top tier of the global footwear export market in value terms, and it will continue to develop new high-value services for customers. In short, the means of achieving competitiveness in the global context is changing, and the role of servitization is becoming more relevant in the traditional ‘product-centric’ market, which the footwear industry used to be.

Due to its strong managerial focus, servitization has been perceived as a relatively linear process; however, recent research indicates a different perspective – it suggests that environmental conditions can have a role in explaining differences in servitization paths, thereby indicating the need to abandon the focal-company perspective (Perry et al., 2011) and analyse the phenomenon at the industry level and in specific environments. There is a specific call to develop new research examining how servitization differs between manufacturers in different geographical industries with different environmental requirements (Turunen and Finne, 2014). For these reasons, this study investigates servitization in the footwear industry in Italy, with the sample involving small companies, in order to analyse how these companies have servitized their business models to provide services to support their manufactured assets.

A particular focus is placed on the main difficulties and drivers that companies face when trying to implement servitization and during the process of transforming their business strategy towards increasing service provision (Baines et al., 2009; Storbacka et al., 2013).

To summarise, this study seeks to answer the following research questions:

- a How are footwear companies servitized? What are the main services they provide alongside their products?
- b What are the main drivers that have caused companies to provide services beyond their core products, and the main barriers they face when trying to servitize their offering?

The article is structured as follows. First, it provides a theoretical background about the servitization phenomenon. Second, it describes the research method. Third, it highlights the study's main findings, with attention given to their managerial implications. Finally, it presents the study's conclusions.

## **2 Literature background**

### *2.1 Value perspective from product to service: insights for small firms*

Customer value is primarily a trade-off between benefits and sacrifices – whether monetary or otherwise. This trade-off is certainly influenced by what competitors offer, and it implies an assessment of what customers perceive relative to what they receive (Blocker, 2011; Jacob and Ulaga, 2008; Juttner et al., 2007). Value creation is a central concept to the management and organisation literature for both micro-level (individual and group) and macro-level (organisation theory and strategic management) research (Lepack et al., 2007; O'Donnell, 2014). Customer value emphasises the importance of being customer-focused and aligning resources and capabilities for superior value creation (Drucker, 1973; Slater, 1997), especially since firms find that product innovation and quality management alone no longer provide sufficient competitive advantage (Woodruff, 1997). Interactions of entrepreneurship and integrated market orientation, and entrepreneurship and human resource practices have a significant effect on customer value and innovation, respectively (Nasution et al., 2011). Considering value for small firms, these firms are oriented to the satisfaction of diversified individual preferences and the resulting demand, even in small, decentralised market niches (Hills et al., 2005). To be able to compete with larger firms in the market, small firms must allocate resources efficiently. Under the conditions of high rates of technological change and flexible demand for commodities and services, firms must be prepared to adapt the resources allocated in the departments of the company to developing demand in the market (niches). The preconditions of the competitiveness of companies are:

- 1 dynamic labour qualification
- 2 risk-oriented capital
- 3 market transparency
- 4 strategic management – summarised as 'small firm entrepreneurship' (Dana et al., 2013; Schmidt, 2005).

Gender may be an important factor that affects small business owners' perception of success; however, it often remains only a myth (Ramadani et al., 2013). Frequently, the predominant aspect of these companies' success has resulted from non-financial affective measures (Walker and Brown, 2004).

As firms change their value propositions by enhancing their product offerings with innovation and high-value services (Gebauer and Kowalkowski, 2012; Matthyssens and Vandenbempt, 2010), they must develop the capability to communicate the value of these new service-based offerings. However, value from services may be more difficult to

visualise than that for products due to the intangibility of service performance, especially prior to purchase (Khalifa, 2004; Mollenkopf et al., 2011).

Building on the service-dominant logic (Vargo and Lusch, 2008), customer value concerns the co-creation of value between suppliers and customers. Value can only be created when there exists a deep understanding of customers, markets and matching supply chain capabilities. Companies must develop under the logic of service dominance, which requires them to focus on using their operant resources to achieve sustainable competitive advantage via their service offerings in conjunction with their suppliers (Lusch et al., 2007).

In other words, value is created not in exchanged, but in co-created way service-dominant logic involves often intangible dynamic resources; inputs for co-created value; and relational, economic and social processes (Gummerson et al., 2010; Smith et al., 2014). Dynamic intangible resources are particularly central to creating value for customers and achieving superior company performance (Beitelspacher et al., 2012).

The existing findings on servitization are focused on large companies (Ng et al., 2012) and cannot be transferred to the context of small enterprises. Previous research has neglected how firm size may affect servitization and the business model of small companies. This study seeks to explore this phenomenon and its adoption by small Italian companies.

### **3 Servitization: drivers and barriers**

During the last two decades, the manufacturing industry has faced an important transformation due to several factors, including the increase in competitiveness, decrease in profits and vulnerability of demand (Hou and Neely, 2013; Neely, 2009). The integration of product-service offerings allows companies to have a distinctive, a long-lived and an easy means of defending themselves from competition based on low cost economies. This orientation is recognised as servitization.

Servitization does not consider only large companies, but also involves small and medium enterprises (SMEs) that represent a significant proportion of European manufacturing firms (Eurostat, <http://ec.europa.eu/eurostat/>). During this era of globalisation, many SMEs operating in the business or consumer markets must introduce services that satisfy demanding customers in order to remain in the increasingly competitive market (Dangayach and Deshmukh, 2005; Prajogo and McDermott, 2014). SMEs have an important advantage in this transformation process because they are innovative, flexible and able to create new products and services rapidly, even though they have few resources (Prajogo and McDermott, 2014; Wong and Aspinwall, 2004). This shift from traditional manufacturing activities is a key research theme that has been examined for 20 years from different perspectives (Hou and Neely, 2013).

The main research areas that have paid attention to this topic are in the fields of operations, business management and marketing (Baines et al., 2009). This study focuses on a service marketing perspective and the related literature regarding service offerings and development (Vandermerwe and Rada, 1988; Brax, 2005). The proposal of service-dominant logic (Vargo and Lusch, 2004) provided a new perspective to observe the economic phenomenon. Two propositions become prominent. First, the fundamental source of competitive advantage is not operand resources (such as materials and

equipment), but operant resources (knowledge and skills), which are more difficult to imitate by competitors. Second, the customer becomes a co-creator of value, who determines the value of a service (Yong and Kosaka, 2014). From this perspective, one of the key features of servitization strategies is a strong customer focus. Customers are not just provided with products, but are offered broader and more tailored 'solutions'.

While servitization is a competitive strategy for product companies to create differentiation advantage, implementing such a transforming strategy creates challenges for these companies. The central idea is that companies should be able to face price competition and differentiate themselves from their competition by offering an augmented product with several levels. However, the success of this approach might depend on the capabilities of firms to include all the players of their supply chain in the value creation process, from the suppliers to the final customers.

There are various forms of servitization that can be positioned on a product-service continuum, ranging from products with services as an 'add-on', to services with tangible goods as an 'add-on'. These are provided through a customer-centric strategy to deliver desired outcomes for consumers (Baines et al., 2009). This heterogeneity is not limited to the company level, but might also be function of the industry and to the product complexity.

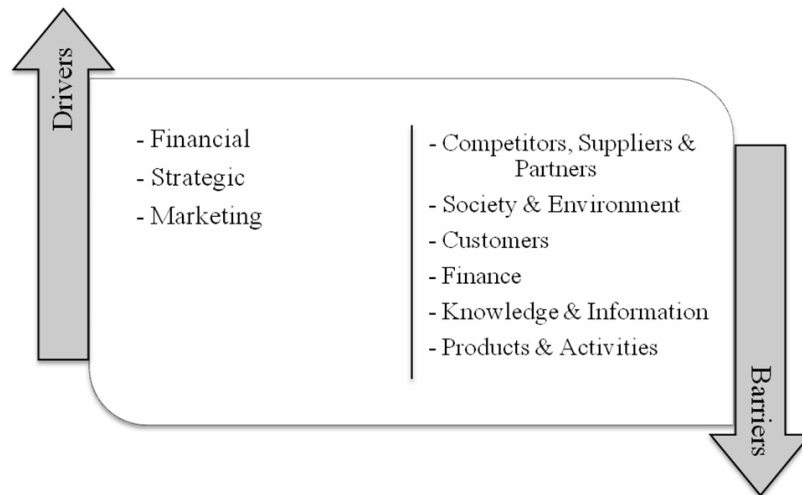
Much of the literature has focused on identifying which factors have led companies to pursue a servitization strategy. These drivers have been identified by previous literature as *financial*, *strategic* and *marketing* drivers (Baines et al., 2009; Gebauer and Fleisch, 2007; Mathe and Shapiro, 1993; Mathieu, 2001; Oliva and Kallenberg, 2003; Ng et al., 2012; Smith et al., 2014). Regarding the *financial drivers*, the literature often refers to higher profit margin and stability of income (Sawhney et al., 2004; Wise and Baumgartner, 1999) for companies that have enjoyed success with this approach and achieved stable revenues from services, despite significant drops in sales. In addition, thanks to the product-service combination, firms tend to be less sensitive to price-based competition (Malleret, 2006) and can reach higher levels of profitability than when offering physical products alone (Frambach et al., 1997). Previous research has also found that product-service sales tend to be counter-cyclical or more resistant to the economic cycles that affect investments and goods purchases (Gebauer and Fleisch, 2007; Oliva and Kallenberg, 2003). In this stream, Neely (2009) detected the 'service paradox', which states that servitized firms generate higher revenues, but tend to generate lower net profits as perceptual revenue than do pure manufacturing firms. A recent study indicates that labour-intensive services enhance product sales and reveal a positive, yet non-linear, relationship between the scale of service activities and profitability. In an initial phase, firms receive increased profits; however, these diminish in the long term. The initial increment is feasible only in the presence of large investments in service capabilities (Kastalli and Van Looy, 2013).

Previous studies have identified *strategic drivers* that lead companies to invest in the servitization process. These are primarily related to gaining competitive advantage, and use service elements to differentiate manufacturing offerings and subsequently provide important competitive opportunities (Gebauer and Fleisch, 2007; Hou and Neely, 2013). Firms can realise several service strategies. For example, previous studies have identified three categories of services: product-attached services, operations services on the company's own products, and vendor-independent operations services (Raddats and Kowalkowski, 2014). A recent study (Opresnik and Taisch, 2015) proposed the concept

of a 'big data strategy' as a new element that contributes to the broad servitization framework, allowing firms to achieve competitive advantage. According to this study, information is the key element in the servitization process, and firms must pay more attention to managing it.

*Marketing drivers* are generally recognised as adopting services to sell more products. The service component is well known to influence purchasing decisions, and assessing its importance has been a lasting tradition in the marketing literature (Gebauer and Fleisch, 2007; Mathieu, 2001). This is especially true in B2B or industrial markets, where customers are described as increasingly demanding services (Slack, 2005; Vargo and Lusch, 2011). Moreover, service from a marketing perspective helps companies create customer loyalty (Blut et al., 2014; Coelho and Henseler, 2012; Correa et al., 2007) because it tends to induce repeat sales and, by intensifying contact opportunities with the customer, can place the supplier in a position to offer other products or services (Keränen and Jalkala, 2013; Malleret, 2006).

In contrast to the drivers that lead companies to adopt the servitization approach, few studies have paid attention to the barriers to servitization – at least at from a conceptual perspective (Hou and Neely 2013). In particular, a recent study by Hou and Neely (2013) identified seven categories of barriers to servitization, divided before and after the servitization process. First, they identified *competitors, suppliers and partners* as one barrier. Service provision often requires a more complex competitive environment that involves different actors, which might create difficulty in ensuring coordination and cooperation from different actors. A second barrier is *society and the environment*. This indicates that the servitization process might be avoided or slowed due to the lack of policy, infrastructure support and incentives to pursue the environmental benefits of servitization. Third, *customers* might become hostile if they lack trust in companies that offer both their traditional products and the integration of services because this might be perceived as a higher cost solution. This might result in difficulty attaining customer cooperation and acceptance. A fourth barrier is *finance*, which relates to the need for financial resources to provide helpful services to integrate the traditional system and achieve a sustainable competitive advantage. This might lead to resistance in some company functions, where a service strategy might not be well understood or considered. This can lead to unexpected costs and a lack of competence in pricing services. Fifth, a lack of *knowledge and information* might represent an obstacle, particularly for traditional manufacturing firms, where there is a lack of expertise in the service sector and a lack of innovation ability and knowledge and information management. Sixth, *products and activities* may create a barrier when providing services because this might lead companies to seek further labour that will often not be as cheap as for product manufacturing. In addition, companies might face barriers in activities related to the design of service packages. Finally, *organisational structure and culture* can constitute a challenge for manufacturers relating to the need for the change that is required to transform the organisational culture into a broader approach that supports the development of services. This can encounter a deficiency of service-based organisational structures, the absence of a service-oriented culture and preconceived resistance to change. Thus, creating an organisational context that is oriented towards service can be very challenging for firms. However, despite these challenges, servitization represents one of the most successful opportunities for companies interested in gaining a new competitive advantage.

**Figure 1** Drivers and barriers to servitization

#### 4 Research method

In B2B research, study profiles are continuously evolving with new practices; thus, the nature of the current study is both explorative and confirmatory, as in other case studies in the literature (Barratt et al., 2011; Eisenhardt and Graebner, 2007; Ellram et al., 2008). From an explorative perspective, this study undertook qualitative research to fill the gap regarding the phenomenon of interest. From a confirmatory prospective, the aim was to deeply examine the servitization orientation in small companies in the footwear industry. To answer the research questions, this study adopted a qualitative methodology in order to better explore and understand this phenomenon in depth.

This study's purpose is to understand an entrepreneur's perception of the drivers of and barriers to servitization in a given environment. As Dana and Dana (2005, p.83) asserted, 'non-quantitative research strategy is interactive, as is the relationship between an entrepreneur and the environment of the firm'. In this context, the researcher can either concentrate on a very small sample of individuals or employ a comparative approach. Using qualitative research helped this study uncover the myriad pressures and complexities faced by entrepreneurs and managers when making decisions regarding how to develop the strategic direction of their business model. While qualitative data may be reduced to quantitative codes for statistical analysis, using only qualitative data enables research to explore and understand how entrepreneurs interact with the business environment.

This study's main method of analysis was semi-structured interviews (Creswell, 2007). There is limited empirical evidence on servitization related to the footwear industry and in a B2B context; thus, an exploratory empirical study enabled the development of evidence regarding the obstacles hindering the transformation of these firms. Given this study's research objective to understand how small firms develop the service business, a multiple case study using longitudinal action research and interviews was employed.



This research used theoretical sampling and constant comparison, and continually contrasted the findings with the literature to examine the differences and similarities between existing research and the emerging patterns from the findings (Corbin and Strauss, 2008). The research was conducted iteratively by reviewing the existing literature and collecting and analysing data simultaneously. This study investigated this phenomenon in the footwear industry for several reasons. First, the footwear industry is an important sector of the Italian economy, as demonstrated by Shoe Report (2012). Italy is the fourth largest exporter of footwear in the world, and Italian footwear represents one of the pillars of made in Italy, and contributes significantly to the trade balance and gross domestic product. Further, servitization has still not been investigated in this sector and, for this reason, this study could generate new and important insights on this topic. Italian footwear commands the highest average export price in the world, with the average pair of Italian leather shoes selling for more than ten times that of their Chinese counterpart. This emphasis on high-end footwear allows Italy to compete in the top tier of the global footwear export market in value terms (Marketline, 2014).

Based on the literature, this study developed an initial interview guide. This was built by developing three sections. First, the interview asked for an overall description of the firm and respondents, as well as other information about the respondent's role in the footwear supply chain. Second, the interview asked about the main services offered by the firm. Third, it asked about the drivers of and barriers to providing these services. Informants were selected using a theoretical sampling method (Glaser and Strauss, 2009) in small companies of the Marche region because this is one of most important districts for footwear production.

Firms were pre-identified and invited to participate in the research based on long-standing relationships between the university and relevant business community. They had to belong to a footwear supply chain in the role of suppliers, manufacturers and retailers. For retailers, because they have not encountered a shift from product provision to services, this research was interested in understanding whether the range of services they provide is different to those supplied by manufacturers. In addition, this study included most supply chain roles due to the exploratory nature of the study. In doing so, this study considered its unit of analysis to be the supply chain of the footwear industry, rather than each single player's perspective.

The study of firms was as follows: on desk, involving the gathering of secondary sources (questionnaire data, internet websites, other) to profile the enterprises before the interviews. After this, primary data were collected via 14 in-depth interviews with managers of manufacturing and other firms belonging to the footwear industry. Data collection ceased when a state of saturation of the findings was reached (Suddaby, 2006). This study opted to contact no additional cases after reaching sufficient representativeness of different situations and the information added by each new case became marginal – in line with the theoretical saturation concept (Bryman and Bell, 2011). Since all SMEs in the footwear industry manufacture using the same components and follow very similar production phases – except with different levels of quality, customisation and volume – 14 cases were sufficient to attain good representation of all typologies of manufacturers in the same area of Italy.

The presentation letter of the research project specifically requested that the interviews be with senior managers or individuals who held a managerial position that related to strategic and operational decisions in the firm's daily business. Thus, the

respondents (as entrepreneurs or senior managers) were believed to have the authority to make strategic decisions, including those related to innovation that creates major changes in SMEs (Prajogo and McDermott, 2014).

While a quantitative approach may enable understanding of the ‘typical’ entrepreneur by means of a large sample (n) and parametric distribution, qualitative research does not require such a large sample (Dana and Dana, 2005). Given the explorative nature of this study, suppliers and retailers were also included to enrich the results about the topic. The interviews were undertaken during May 2014 by two researchers who followed the protocol suggested in the literature (see the Appendix for the protocol). Each interview lasted 20 to 60 minutes, and all were conducted in Italian. Table 1 presents a brief profile of the companies that were interviewed during the research.

**Table 1** Main features of the firms and respondents

<i>Company name</i>	<i>Establishment year</i>	<i>Supply chain role</i>	<i>Interviewee role</i>	<i>Working years in the company</i>
Alpha	1989	Retail	Owner	25
Beta	1979	Supplier	General manager	5
Gamma	1978	Manufacturer	General manager	12
Delta	1978	Supplier	Sales and product manager	23
Epsilon	1981	Retail	Owner	33
Zeta	1954	Supplier	General manager	12
Eta	1964	Manufacturer	General manager	15
Theta	2012	Retail	Owner	4
Iota	1982	Manufacturer	General manager	4
Kappa	1974	Supplier	Owner	40
Lambda	1972	Manufacturer	General manager	13
Mu	1984	Manufacturer	Financial and sales manager	30
Nu	1999	Supplier	General manager	15
Xi	1987	Supplier	Owner	27

The interviews were transcribed and then assessed by an initial reading to attain a preliminary grasp of the content. After this, data analysis was undertaken through NVivo software to identify the key elements that provide a first understanding of the degree of servitization of these small firms in the footwear industry. This also explored the existence of several drivers that cause companies to provide services beyond products, while also indicating any potential barriers encountered by these servitized companies. The coding procedures conformed to those found in grounded theory (Glaser and Strauss, 2009). This enabled an initial open coding process to identify the major variables of interest. The analysis unit was the paragraph. The subsequent downloads enabled refinement of the core constructs. Selective coding was employed to identify relevant subcategories. Finally, theoretical coding allowed linkages with theory. To confirm the reliability of these findings, two research assistants conducted separate coding of the same data (Strauss and Corbin, 1990). The results of the three processes were consistent.

## 5 Findings

### 5.1 *The role and degree of servitization for footwear companies*

When discussing the importance of service for the footwear industry, the respondents confirmed that this element has become an essential part of their companies' core offerings, and that its role has increased during recent years. This was confirmed by the number of services offered by the firms interviewed. These services can be very close to the main production activities (base services), can help guarantee maintenance of the product conditions (intermediate services) or can be provided as separate, core offerings that are finalised to improve the overall performance of the company (advanced services). For example, one of the main base services offered by footwear firms is the 'customisation and modelling' service, which is a process through which the manufacturer creates a footwear product by designing, testing and reworking it prior to actual production, with the customer having the opportunity to receive a customised footwear product. This latter service is considered especially important, as Lamba firm's interviewee asserted: "The customisation is our point of strength ... if a client wants something of another colour, or she or he wants to change the leather or the sole, we can arrange for this". In addition, a respondent from the Kappa firm stated: "we provide our customers with a prototype and modelling service. They come here with their ideas or drafts on a paper and we are able to transform that idea into a real product".

A more intermediate service provided by these small firms is the 'after-sales' service, which can involve several options, from repair service to returns management. In some cases, it consists of replacing faulty footwear and, in other cases, it can involve replacing footwear when retailers do not sell them even without flaws. When discussing repair activities, the respondent from firm Alfa asserted: 'even after three years, when a client has a problem with her or his footwear – such as with the sole – we are willing to take back the footwear, repair the sole and reship the goods for free'. Regarding returns management, the interviewee from the Gamma firm stated: 'if there is some problem with the production quality, we are always ready to take back the faulty footwear'. The sales manager from the Mu firm stated: 'if our business clients do not sell our products, we allow t to exchange footwear up to 5%, 10% or 15% of total order quantity'.

An example of an advanced service that emerged from the interviews is the 'marketing and communication' service provided by manufacturers to their customers to promote and support the sales of the retailers and reinforce the business relationship. This category is constituted by several activities, varying from communication (both offline and online) to market research. The respondent from Lambda asserted: "we support retailers with online communication". The owner from Nu stated: "market research is needed for each brand to understand what the actual target market is and what the main customers' needs are. Based on such research, we can suggest the best product to our customers". An interviewee from Nu stated that they provide to customers a financial support service in order to allow a "customised date and means of payment to their business clients".

### 5.2 *The drivers of servitization*

Customers are paying increased attention to the intangible dimensions of companies' offerings, such as services and branding. For this reason, manufacturing firms must

consider the quality of service when designing their offerings. The interviewee from Mu stated: 'in the last years, all the successful firms have provided services to their clients'. A respondent from Kappa declared: 'In the last decade, the service has become an important part of the offering. The clients are more demanding for it'. All the firms considered in the sample were attempting to achieve a superior market position via introducing services to their offerings. This is not a choice, but a necessity for firms that do not want to delocalise their production. This was confirmed not only by the suppliers and manufacturers, but also by the retailers.

When asked about the main drivers that have led managers to adopt a servitized approach, the manager of Delta stated: "Our objective was not firstly to provide services. However, as our customers belong to prestigious brands, we realised that the service was as important as the goods and helped us to satisfy our customers". The entrepreneur from Eta emphasised that, when entering new markets and facing new clients, providing service is a key element: "Before entering to the Russian market, we didn't think that so many people were interested in our customisation services".

Most of the quotations from the interviews that related to drivers of servitization discussed drivers that can be labelled as marketing. These constituted the greatest trigger to encourage firms to servitize because customers frequently push firms to provide services that integrate the core offering of footwear products. This was cited by 85% of the respondents. In addition, 15% of the respondents identified a strategic motivation as an important driver to servitize their firms. This motivation was suggested by the sales manager of Zeta: "the service in last years allowed us to differentiate our offering compared to those of our competitors, leading us to gain a long-term advantage over them".

Finally, the finance driver does not appear to be among the explicit factors leading to the decision to provide services. However, the revenue derived from servitization might be a direct consequence of the marketing and strategic drivers. Thus, managers may have not emphasised being influenced by financial drivers because they take for granted the financial revenue attained via servitization. Thus, the results indicated that the main drivers that lead companies to adopt servitization are marketing and then strategic drivers. This partially confirms the existing conceptual background regarding the drivers of servitization.

### *5.3 Barriers to servitization*

This research asked respondents to provide some examples of the obstacles encountered when considering to servitize their company. Among the main barriers, 'costs' was considered a significant obstacle to servitization. This appears to be considered the main hindrance to servitization that is not easy to overcome. Other important barriers are attitude and the investments needed to face the change. Further, minimum order quantity and district destructure seem to be others factors that can slow the provision of services. The outsourcing processes of recent years have undermined the efficiency of the districts, and many firms have problems responding to demand that requests only a small order. In addition, lack of collaboration among firms can damage the competitive capabilities of Italian firms. Very few respondents indicated problems related to coordination with suppliers and other firms to provide service, or a lack of specific communication competences to sell services beyond their core offering.

**Table 2** Barriers

<i>Code</i>	<i>Description code</i>	<i>% sample</i>	<i>Representative quotation</i>
Costs	An amount that must be spent for the services	35	“when the firms compete on the service, the major difficulty is the costs.”
Attitude	The approach towards working and organising activities	29	“the lack of training and attitude towards services constitutes the main barrier.”
Investments	Expenses to realise new services or activities with future returns	29	“Nowadays, investments are a problem because the mark-up is limited. Investing is increasingly difficult.”
Minimum order quantity	An order with a low amount	21	“We are used to producing in large quantities and production in small orders is a problem. The personalisation forced us to purchase low amounts and this is not easy.”
District destructuretion	Problems with disintegration of the supply chain after delocalisation processes	14	“Until a year ago, there were many warehouses where we can buy the leather. Now, in the warehouses, there are few raw materials and this can limit the customisation and the delivery on time.”
Collaboration	Difficulties working with other firms	14	“I would like more collaboration among chemistry laboratory directors of other companies to share information and knowledge about new colours, effect, treatment.”
Coordination	The organisation of the firms to provide a service	7	“I can’t provide a service by myself. I need the entire supply chain to work for it, but I have to convince all my suppliers and others firms to participate. This is a huge difficulty.”
Communication	The effort/capabilities required to communicate and promote new services	7	“the firm has to communicate that it provides services beyond the product; therefore, we have created and promoted a new specific brand for this initiative, and this is very difficult.”

After analysing the results of the coding process, the codes regarding the barriers to servitization were compared with the factors emerging in the literature. The intention was to find any differences between the literature and this study’s empirical evidence. As shown in Table 3, most of the codes confirmed the literature. Specifically, the ‘finance’ aspect was the most cited code. However, aspects such as ‘customers’ and ‘society and the environment’ did not seem to be relevant barriers.

Regarding barriers, the financial barrier (cited from 64% of respondents) seemed to be the main obstacle for small companies to becoming servitized. Supporting this, the manager of Gamma stated: “when the firms compete on the service, the major difficulty is the costs”. Consistent with this, the manager of Kappa declared: “Nowadays,

investments in services are a problem because the mark-up is limited. Investing in them is increasingly difficult”.

Another important barrier was collaboration and coordination among partners within and between supply chains (‘competitors, suppliers and partners’ barrier). Eta firm’s owner claimed: “I can’t provide a service by myself. I need the entire supply chain to work for it, but I have to convince all my suppliers and others firms to participate. This is a huge difficulty”. The entrepreneur of Gamma stated: “Until year ago, there were many warehouses where we can buy the leather. Now, in the warehouses, there are few raw materials and this can limit the customisation and the delivery on time”. Moreover, the owner of Nu stated: “I would like more collaboration among chemistry laboratory directors of other companies to share information and knowledge about new colours, effect, and treatment”.

In addition, the respondents identified a lack of ‘knowledge and information’ as a main limitation to being able to provide services to their customers. For example, the manager of Iota stated: ‘the lack of training and attitude towards services constitutes the main barrier’. This barrier was confirmed by 35% of respondents.

Finally, limitations related to ‘products and activities’ were experienced by these firms, such as problems regarding the minimum order quantity, which can create issues for maintaining efficient production. The owner of Eta claimed: “We are used to producing in large quantities and production in small orders is a problem. The personalisation of services forces us to provide different services to different customers and this is not easy”. This was supported by 21% of the sample.

**Table 3** Matches among barrier codes and literature review

<i>Codes</i>	<i>Literature issue</i>	<i>Presence or absence</i>	<i>Frequency</i>
Cost	Finance	☑	64%
Investment			
Collaboration	Competitors, suppliers and partners	☑	35%
Coordination			
District destructureation			
Communication	Knowledge and information	☑	35%
Attitude			
Minimum order quantity	Products and activities	☑	21%
-	Customers	X	0%
-	Society and environment	X	0%

## 6 Conclusions and implications

This research explored the servitization of small Italian firms, specifically in the footwear sector, which is very important for the Italian economy. No research has previously been conducted in this sector regarding servitization. This research contributes to enriching the existing literature about servitization by including both the drivers of and barriers to servitization in the same industry.

First, this study demonstrates how service represents an essential element for this industry, and new services are being delivered by these companies as a means to compete in the market and gain a sustainable competitive advantage. These firms understand the relevance of the services and have begun to include them in their core offerings. However, different firms have reached different levels of servitization (Martinez et al., 2010; Colombo et al., 2012). This study sought to split the services provided by the firms into three categories, depending on their level:

- 1 base services, such as modelling and customisation, which focus on and are directly linked to product provision
- 2 intermediate services, such as repairs and returns management, which relate to condition maintenance
- 3 advanced services, such as commercial returns, which focus on outcomes and overall performance.

Second, regarding the drivers that led these footwear companies to provide services to their customers, one of the main reasons was their customer-centric strategy, and the explicit demand for services by customers. Beyond marketing drivers, the sample showed an interest in providing services because they constitute the trigger driver for firms to differentiate themselves in the market. In offering this value to the customers, small companies must demonstrate a high level of knowledge and entrepreneurial capabilities. However, this can be hindered by several obstacles.

Third, regarding the barriers to servitization, this research confirms the existence of many of the obstacles already highlighted in the literature at a theoretical level. In addition, it explains how these occur. However, the findings differ from the literature because customers and society and the environment were not considered barriers by the study respondents. In contrast, customers were considered a driver to servitize the company. In addition, while some respondents did indicate society and the environment, they considered it a general obstacle to business, not just to offering services.

This research provides further insight to better understand servitization for both scholars and managers. From an academic perspective, this research provides a first step for future quantitative research because it broadens knowledge of the variables that may influence and encumber this phenomenon. For managers, this study is useful because it helps them understand the main advantages to providing services beyond the core offering of products, as well as indicating what obstacles they may need to manage.

There are several limitations to this study. First, this is exploratory research that examines only a few cases. Therefore, is not possible to generalise the results of the research. In addition, this study considers the footwear sector a unique unit of analysis; however, there are many players engaged in this section, and each could employ different kinds of services. This represents a limitation of the present study that future research could seek to address. Further, the cases in this study were localised to only one Italian region, and considered all the main roles of the footwear industry. Future research should compare different regions and consider more diverse perceptions of this phenomenon from different roles in the supply chain. In addition, future research could consider the cultural and gender effects involved in entrepreneurship. Further studies could also compare these findings with those of other sectors. This research can be employed as a base for quantitative research to test the effects of the drivers of and barriers to the process of servitization.

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## Appendix

### Interview protocol

#### Opening:

- Introduction of interviewer and interview participant (the same introduction for all interviews): "I would like to interview you because I feel I can learn a lot from your

perspective. I would like to be open, informed, and conversational. There are no right or wrong answers. You are the expert, not me”.

- ☐ Overview of purpose of the study
- ☐ Confidentiality assurance/permission to take notes

*Demographic data:*

- ☐ Title/responsibilities/role/expertise/competencies in the market of interview participant

*Initial questions to address perceptions of each participant with respect to the role of his/her intermediation between the manufacturer and the customer:*

- ☐ Could you please tell us about the supply chain in your market?
- ☐ What is your role/position/competency in the supply chain? Who are your suppliers and your customers?

*Questions to address perceptions of each participant with respect to the service provision in their activities*

- ☐ Beyond the core offering of products, do you supply services and do you integrate your offering with services? What are the main services you provide to your customers?
- ☐ What are the most important drivers for you when deciding to deliver service?
- ☐ How do you deliver your service across the value chain?
- ☐ What are the main obstacles/barriers you have encountered when deciding to provide services or during your deliver of services?

*Additional unplanned/floating prompts:*

- ☐ Can you tell me more about that? How did it happens ?
- ☐ Can you elaborate more?
- ☐ Will you explain that in more detail?
- ☐ Can you give me examples or tell a story of an experience about that?
- ☐ How does that work?

*Wrap-up:*

Thank you for taking time out of your very busy schedule to meet with me. You have been very helpful. You will receive a copy of the executive report when we are done collecting and analysing the data. If you have any questions, please do not hesitate to contact me.

The Interview Protocol Guide followed recommendations by McCracken (1988).